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FM AMEMBASSY DUSHANBE
TO RUEHC/SECSTATE WASHDC PRIORITY 6965
INFO RUCNCIS/CIS COLLECTIVE
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC
RHEHNSC/NSC WASHINGTON DC
RUEHAK/AMEMBASSY ANKARA PRIORITY 1443
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1480
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RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 1424
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RUEHML/AMEMBASSY MANILA PRIORITY 0026
RHMFIUU/DEPT OF ENERGY WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

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EMBASSY MANILA: PLEASE PASS TO ADB AMBASSADOR SPELTZ

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SUBJECT: TAJIKISTAN'S MOI WITH AES ON POWER TRANSMISSION LINES

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¶11. (SBU) SUMMARY: Post received the following letter from the Minister of Energy regarding Tajik government cooperation with AES, including the nine-page Memorandum of Intent for the "construction of a 220kV transmission line connecting the energy systems of Tajikistan and Afghanistan." The letter summarized the events and negotiations of the preceding months and outlined AES's requirements for participation in Tajikistan's energy sector and a timeline for the project, scheduled to be completed in November 2007. END SUMMARY

¶12. (SBU) COMMENT: If things move according to schedule, the transmission lines will give AES the toehold in the Tajik energy sector that eluded them as hydropower station projects went one after another to other investors. Contacts in the Ministry of Energy have always mentioned AES as the prime candidate to build the transmission lines, but failed to understand AES's need to control some power generation as well. We hope this agreement will mark the first step towards AES participating in a power station project, either Rogun, or another smaller project. END COMMENT.

¶13. Begin text:

March 6

TO THE EMBASSY OF THE
UNITED STATES OF AMERICA

Herewith, we would like to inform you that beginning 2005 the Ministry of Energy of Tajikistan and AES Silk Road (USA) held intensive negotiations in the area of energy, in particular construction and maintenance of energy facilities and possibilities of export Tajik electricity to Islamic Republic of Afghanistan and Islamic Republic of Pakistan.

In the course of series of negotiations proposals were reviewed to construct a 500- or 765 kV transmission lines on following routes: Roghun - Khorog - Vahang Corridor - Chirtal - Peshawar, and Roghun - Sangtuda - Shirhon Bandar - Kunduz - Puli Humri - Kobul Peshawar to enable future exports of electricity upon completion of construction at Roghun, Sangtuda I and Sangtuda II hydroelectric power stations.

As a result of activities a Memorandum of Intention was signed between Open Joint Stock Holding Company "Barqi Tojik" of the Ministry of Energy of Tajikistan and AES Nurenergoservice of AES Silk Group in the area of collaboration of excess electricity produced during summer period at hydroelectric power stations in Tajikistan. Then, since December 2005 AES actively participated in negotiations between the Ministry of Energy of Tajikistan and the Ministry of Energy and Water Resources of Islamic Republic of Afghanistan on collaboration in the energy sector; negotiations discussed issues concerning implementation of projects to build the aforementioned transmission lines.

Then, in January 16, 2006 the Government of Tajikistan conducted a meeting to discuss Hydropower Development Strategy and to create an international hydropower consortium. The meeting was attended by representatives of the Government of Tajikistan, RAO UES, Rusal JSC, Kazakhstan Development Bank, Kazakhstan Investment Fund, Asian Development Bank and European Bank for Reconstruction and Development.

A Protocol of Second International Meeting was signed in a

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course of the meeting to establish an international hydropower consortium; in accordance with Protocol AES committed to be an investment partner for construction of electric transmission lines and to export electricity to Afghanistan and Pakistan under the following conditions:

- Financial support from IFIs
- Government of Tajikistan as one of the partners
- Commercial purchase agreement with Afghanistan and Pakistan, as future consumers of Tajik electricity
- Partnership with companies for the Russian Federation
- Intention to play a key role in development, design, construction and management of transmission lines and generating facilities
- Expresses interest to actively work with the Government of Tajikistan and IFI in implementation of a project 220 kV Transmission Line (construction of 220 kV two-circuit transmission line Sangtuda - Geran - Sherhon Bandar - Kunduz to export electricity to Afghanistan).

With a purpose to implement commitments within the framework of mentioned above Protocol, AES presented a draft of Memorandum of Intent between Ministry of Energy of Tajikistan and AES Silk Road Inc for construction of a 220 kV transmission line connecting energy systems of Tajikistan and Afghanistan. This Memorandum was reviewed by us and with amended changes was forward to AES office in Almaty on February 28, 2006.

Based on said above, Ministry of Energy is forwarding for your information a copy of the draft Memorandum of Intent between Ministry of Energy of Tajikistan and AES Silk Road Inc. for construction of a 220 kV transmission line connecting energy systems of Tajikistan and Afghanistan.

We request your assistance in implementation of the project.

Attachment: 9 pages

Sincerely,

Minister J. Nurmahmatov

End text

14. Following are the Memorandum of Intent's main points. A complete text is available in Russian.

MEMORANDUM OF INTENT

Preamble:

Parties to Memorandum: Government of Tajikistan represented by the Ministry of Energy, and AES Corporation (U.S.) represented by AES Silk Road Inc. (fully owned by AES Corporation).

Parties agreed to incorporate a Transmission Company to implement the Project agreed on principle Build - Operate - Transfer (BOT)

Project will: (i) build two-circuit transmission line 220KV (90 km) to Afghanistan border; (ii) open a representative office;

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Parties agreed to:

AES and Ministry of Energy will establish a company that will (i) implement the project; (ii) manage and own all facilities as provided in the project;

Shares of each party in the Company will be determined upon completion of Feasibility Study;

Project will be implemented on phase-by-phase basis;

Schedule:

March 10, 2006 - signing of proposed Memorandum of Intent;
March 20, 2006 - expected signing date for BOT Agreement between AES and Ministry of Energy;

July 30, 2006 - expected completion of feasibility study;

August 31, 2006 - expected date when Basic Agreements will come into effect

September 15, 2006 - expected approval on final Feasibility Study. Negotiations with Government of Tajikistan on proposed articles of agreement by AES

October 2006 - inception of Agreements of the Project

November 2006 - obtaining investment license for project implementation

February 2007 - proposed financing proposal will be available

March - 2007 - inception of construction works

November 2007 - completion of construction works

HOAGLAND